

Mr. ROBB: It has been drafted by the legal officers. I have, of course, great respect for my hon. friend's views.

Sir HENRY DRAYTON: Ordinarily the property of a company consists of its assets. It certainly does not consist of scrip certificates—stock; for that is only an evidence of ownership of the company property; it is not a distribution of the property of the company. Now, this provision says:

On the winding up, discontinuance or reorganization of the business of any incorporated company the distribution in any form of the property of the company shall be deemed—

And so on. The issuing of the shares of stock is not a distribution of the property of the company. I do not think the section is drawn in such a way as to carry out the intent of the department—that is, if the intent be that in the case of amalgamation, where you have profits in both companies which add in the amalgamated company 50 per cent to their joint holdings, they are to be taxed. Well, they will not be under this, because there is to be no distribution of the property of either company—the old companies, the amalgamated companies or anything else. Of course, it might be done if you read the section as referring to the two original companies and having nothing to do with the amalgamated company, but in that case again there is no evidence as to the value.

Mr. JACOBS: I suggest that this clause be held over with a view to seeing whether it cannot be improved upon.

Mr. ROBB: No, I think we had better make some progress. We have been at this now for some time.

Mr. JACOBS: You may make progress in the wrong direction.

Mr. ROBB: I do not think so.

Sir HENRY DRAYTON: Perhaps we had better pass this on the understanding that the Senate, which looks after the proper wording of these sections and corrects a great deal of the bad work we send them, should look after it.

Mr. ROBB: I will have the commissioner look into the observations of my hon. friends opposite, and if it is found that it will work better with an amendment in the Senate, then we will consent to that. That is quite reasonable.

Mr. RYCKMAN: May I cite another instance that will be before the commissioner? Take the case of a mining company that has carried on under business management and is

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profitable, but because of the property being exhausted each year they carry an amount to reserve account in order finally to take care of the shareholders, in order to have enough when the property is exhausted to return to the shareholders their capital. Suppose that company was wound up—and that is the end of every mining company, on the exhaustion of its property—this provision says:

The distribution in any form of the property of the company shall be deemed to be the payment of a dividend.

But that is not dividend; it is a return of capital. This section would not deal properly with a case of that kind. We are all of the same mind: we desire to get this into appropriate form. I think the suggestion is a good one that the matter be referred to the commissioner, together with the points we have mentioned and the cases we have cited, and anything else that may occur to him in that connection. If that is done I am sure there can be a redrafting of the section that will be satisfactory to everybody and that will accomplish the desired end.

Mr. ROBB: When the act was originally drafted the thought my hon. friend (Mr. Ryckman) has just presented was considered and was provided for as follows:

With the following exemptions and deductions:—

(a) such reasonable allowance as may be allowed by the minister for depreciation, or for any expenditure of a capital nature for renewals, or for the development of a business, and the minister, when determining the income derived from mining and from oil and gas wells, shall make an allowance for the exhaustion of the mines and wells.

Mr. RYCKMAN: But what is now proposed will be subsequent legislation.

Mr. ROBB: We are only providing for income.

Mr. JACOBS: This section evidently refers only to surplus; the side note indicates that this was the intention. We all agree as lawyers that that would not be taken into consideration in the interpretation, but that no doubt was the intention of the draftsman. I agree that if it goes out of this House, such changes as are necessary may be made when the bill reaches the Senate.

Mr. BAXTER: I am quite willing that that course shall be pursued, but I want to point out to the minister this as well, because he may, while he is at it, try to reach the end he intends to get at. It seems to me it would be comparatively easy where two companies are involved in the reorganization, to bring about, by a sale of the assets from one company to the other, a state of affairs by which there would not be any